

House Engrossed Senate Bill

State of Arizona  
Senate  
Fifty-second Legislature  
Second Regular Session  
2016

**FILED**  
**MICHELE REAGAN**  
**SECRETARY OF STATE**

CHAPTER 113

# **SENATE BILL 1494**

AN ACT

AMENDING SECTIONS 20-449, 20-451 AND 20-452, ARIZONA REVISED STATUTES;  
RELATING TO INSURANCE BUSINESS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 20-449, Arizona Revised Statutes, is amended to read:

20-449. Rebates on life or disability insurance

A. Except as otherwise expressly provided by law, no person shall knowingly permit or offer to make or make any contract of life insurance, life annuity or disability insurance, or agreement as to such contract other than as plainly expressed in the contract issued thereon, or pay or allow, or give or offer to pay, allow or give, directly or indirectly, as an inducement to such insurance or annuity, any rebate of premiums payable on the contract, or any special favor or advantage in the dividends or other benefits thereon, or any valuable consideration or inducement whatever not specified in the contract.

B. THIS SECTION DOES NOT PROHIBIT AN INSURER FROM RETAINING AN INDEPENDENT THIRD PARTY TO CONDUCT A CUSTOMER FEEDBACK EFFORT INTENDED TO HELP THE INSURER IMPROVE THE QUALITY OF ITS PRODUCTS OR SERVICES AND TO OFFER AN INSURED BUSINESS OR INDIVIDUAL A REASONABLE INCENTIVE TO PARTICIPATE IN THE FEEDBACK EFFORT. AN INCENTIVE IS PRESUMED REASONABLE IF IT DOES NOT EXCEED TWO HUNDRED DOLLARS. AN INSURER MAY NOT OFFER, REFERENCE OR PROMOTE AN INCENTIVE OR FEEDBACK EFFORT UNDER THIS SECTION IN CONNECTION WITH AN APPLICATION FOR OR RENEWAL OF INSURANCE COVERAGE. FOR THE PURPOSES OF THIS SUBSECTION, "FEEDBACK EFFORT" MEANS ACTIVITIES THAT ARE DESIGNED TO ELICIT CUSTOMER PERCEPTIONS ON A PREDETERMINED SET OF TOPICS THAT ARE RELATED TO THE INSURER'S PRODUCTS OR SERVICES, INCLUDING IN PERSON, TELEPHONIC OR ONLINE SURVEYS, POLLS, FOCUS GROUPS, INTERVIEWS, QUESTIONNAIRES AND OTHER RECOGNIZED OPINION GATHERING MECHANISMS.

Sec. 2. Section 20-451, Arizona Revised Statutes, is amended to read:

20-451. Rebates on other than life or disability insurance:  
definitions

A. No insurer or employee, insurance producer or representative thereof shall knowingly charge, demand or receive a premium for any policy of insurance, other than life or disability insurance, except in accordance with any applicable filing on file with the director. No such insurer, employee, insurance producer or representative shall offer, pay, allow or give, directly or indirectly, as an inducement to insurance, or after insurance has been effected, any rebate, discount, abatement, credit or reduction of the premium named in a policy of insurance, or any special favor or advantage in the dividends or other benefits to accrue thereon, or any valuable consideration or inducement whatever, not specified in the policy of insurance, except to the extent provided for in an applicable filing. No insured named in a policy of insurance nor any representative or employee of the insured shall knowingly receive or accept, directly or indirectly, any such rebate, discount, abatement, credit or reduction of premium, or any such special favor or advantage or valuable consideration or inducement. Nothing

1 in this section shall be construed as prohibiting the payment of commissions  
2 or other compensation to duly licensed insurance producers nor as prohibiting  
3 any insurer from allowing or returning to its participating policyholders,  
4 members or subscribers dividends, savings or unabsorbed premium deposits. ~~As~~  
5 ~~used in this section~~

6 B. THIS SECTION DOES NOT PROHIBIT AN INSURER FROM RETAINING AN  
7 INDEPENDENT THIRD PARTY TO CONDUCT A CUSTOMER FEEDBACK EFFORT INTENDED TO  
8 HELP THE INSURER IMPROVE THE QUALITY OF ITS PRODUCTS OR SERVICES AND TO OFFER  
9 AN INSURED BUSINESS OR INDIVIDUAL A REASONABLE INCENTIVE TO PARTICIPATE IN  
10 THE FEEDBACK EFFORT. AN INCENTIVE IS PRESUMED REASONABLE IF IT DOES NOT  
11 EXCEED TWO HUNDRED DOLLARS. AN INSURER MAY NOT OFFER, REFERENCE OR PROMOTE  
12 AN INCENTIVE OR FEEDBACK EFFORT UNDER THIS SECTION IN CONNECTION WITH AN  
13 APPLICATION FOR OR RENEWAL OF INSURANCE COVERAGE.

14 C. FOR THE PURPOSES OF THIS SECTION:

15 1. "FEEDBACK EFFORT" MEANS ACTIVITIES THAT ARE DESIGNED TO ELICIT  
16 CUSTOMER PERCEPTIONS ON A PREDETERMINED SET OF TOPICS THAT ARE RELATED TO THE  
17 INSURER'S PRODUCTS OR SERVICES, INCLUDING IN PERSON, TELEPHONIC OR ONLINE  
18 SURVEYS, POLLS, FOCUS GROUPS, INTERVIEWS, QUESTIONNAIRES AND OTHER RECOGNIZED  
19 OPINION GATHERING MECHANISMS.

20 2. "Insurance" includes suretyship and.

21 3. "Policy" includes bond.

22 Sec. 3. Section 20-452, Arizona Revised Statutes, is amended to read:

23 20-452. Prohibited inducements

24 Except as permitted in sections 20-453 and 20-454, any insurer,  
25 insurance producer or other person, as an inducement to insurance or in  
26 connection with any insurance transaction, shall not provide in any policy  
27 for or offer, sell, buy or offer or promise to buy, sell, give, promise or  
28 allow to the insured or prospective insured or to any other person on behalf  
29 of the insured or prospective insured in any manner:

30 1. Any employment.

31 2. Any shares of stock or other securities issued or at any time to be  
32 issued or any interest therein or rights thereto.

33 3. Any advisory board contract, or any similar contract, agreement or  
34 understanding, offering, providing for or promising any special profits.

35 4. Any prizes, goods, wares, merchandise or tangible property of an  
36 aggregate value of more than twenty-five dollars. THIS PARAGRAPH DOES NOT  
37 PROHIBIT AN INSURER FROM RETAINING AN INDEPENDENT THIRD PARTY TO CONDUCT A  
38 CUSTOMER FEEDBACK EFFORT INTENDED TO HELP THE INSURER IMPROVE THE QUALITY OF  
39 ITS PRODUCTS OR SERVICES AND TO OFFER AN INSURED BUSINESS OR INDIVIDUAL A  
40 REASONABLE INCENTIVE TO PARTICIPATE IN THE FEEDBACK EFFORT. AN INCENTIVE IS  
41 PRESUMED REASONABLE IF IT DOES NOT EXCEED TWO HUNDRED DOLLARS. AN INSURER  
42 MAY NOT OFFER, REFERENCE OR PROMOTE AN INCENTIVE OR FEEDBACK EFFORT UNDER  
43 THIS PARAGRAPH IN CONNECTION WITH AN APPLICATION FOR OR RENEWAL OF INSURANCE  
44 COVERAGE. FOR THE PURPOSES OF THIS PARAGRAPH, "FEEDBACK EFFORT" MEANS

1 ACTIVITIES THAT ARE DESIGNED TO ELICIT CUSTOMER PERCEPTIONS ON A  
2 PREDETERMINED SET OF TOPICS THAT ARE RELATED TO THE INSURER'S PRODUCTS OR  
3 SERVICES, INCLUDING IN PERSON, TELEPHONIC OR ONLINE SURVEYS, POLLS, FOCUS  
4 GROUPS, INTERVIEWS, QUESTIONNAIRES AND OTHER RECOGNIZED OPINION GATHERING  
5 MECHANISMS.

APPROVED BY THE GOVERNOR MAY 6, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 6, 2016.

Passed the House March 30, 2016,

Passed the Senate February 18, 2016,

by the following vote: 57 Ayes,

by the following vote: 29 Ayes,

0 Nays, 3 Not Voting

0 Nays, 1 Not Voting

[Signature]  
Acting Speaker of the House  
*Pro Tempore*

[Signature]  
President of the Senate

[Signature]  
Chief Clerk of the House

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary to the Governor

Approved this \_\_\_\_\_ day of

\_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Governor of Arizona

S.B. 1494

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary of State

SENATE CONCURS IN HOUSE  
AMENDMENTS AND FINAL PASSAGE

Passed the Senate May 4, 2016

by the following vote: 28 Ayes,

1 Nays, 1 Not Voting

[Signature]  
President of the Senate

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

4th day of May, 2016

at 4:26 o'clock P. M.

[Signature]  
Secretary to the Governor

Approved this 6th day of

May

at 3:42 o'clock P. M.

[Signature]  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 6th day of May, 2016

at 5:20 o'clock P. M.

[Signature]  
Secretary of State

S.B. 1494